



REPUBLIK INDONESIA
KEMENTERIAN NEGARA PERENCANAAN PEMBANGUNAN NASIONAL/
BADAN PERENCANAAN PEMBANGUNAN NASIONAL

Jakarta, 5 August, 2011

No. : A600/D.III/08/2011

Att : 1 (one) package

To :

[Members of PSF Joint Management Committee (please see the list attached)]

Re : Minutes of PSF Joint Management Committee Meeting

First of all, I would like to thank to all the JMC members for your participation. I really appreciate your valuable inputs and comments in our meeting on July 25, 2011. As agreed, minutes of the meeting will be distributed to all members. Please find attached the minutes of meeting.

We thank you for your kind attention.

Sincerely,

Deputy of Bappenas for Poverty, Manpower and SME
as Head of Joint Management Committee of PSF



Ceppie K. Sumadilaga

Attachment**List of invitees of PSF's Joint Management Committee Meeting
July 25, 2011**

1. Deputy of Ministry of Social Welfare for Coordination of Poverty Reduction
2. Directorate General of Treasury, Ministry of Finance
3. Directorate General of Budget, Ministry of Finance
4. Directorate General of Debt Management, Ministry of Finance
5. Deputy of Bappenas for Development Financing
6. Country Director, World Bank Indonesia
7. Mr. Jan Weetjens, Head of PSF Secretariat
8. Mr. Petra Karetji, Representative of Ausaid for the PSF
9. Mr. Lars Eskild Jensen, Representative of Danida for the PSF
10. Mr. Gerard Howe, Representative of DFID for the PSF
11. Mr. Onno Koopmans, Representative of Netherland Embassy for the PSF
12. Mr. Andreas Roettger, Representative of European Union for the PSF
13. Mr. Michael Nehrbass, Representative of USAID for the PSF.
14. Mr. Scott Guggenheim, AusAID.

**PNPM Support Facility (PSF)
Joint Management Committee (JMC) Meeting
July 25, 2011**

Chairman: Bapak Ceppie K. Surnadilaga, Deputy of Bappenas for Poverty, Manpower and SME
Co-chair: Jan Weetjens, Head PNPB Support Facility

Participants: attachment 1

Agenda:

1. PSF Portfolio Update
2. Discussion of new proposals

I. PSF Portfolio Update

The main concern raised by JMC members during this part of the meeting was that the current lack of a clear strategy for PNPB moving forward makes it difficult for the partners to identify which areas should receive priority attention and financial support. A second concern that was voiced was that PSF proposals and reporting should further improve through more systematic use of quantitative KPIs.

PSF staff updated the meeting on the trends and current levels of donor financing and project commitments and disbursements. With the exception of the Disaster Management Support Project, PSF projects are progressing as planned, and disbursements have improved compared to previous years. (Attachment 2). Staff also updated the meeting on status of the PSF financed Disaster Management Support projects as well as the PNPB Peduli project.

- a. Disaster Management Support. The JMC approved on December 9, 2010 three grants to support communities affected by the Merapi, Wasior, and Mentawai Disasters. These grants totaled US\$27 million (PNPB-Rural: US\$14.1m; PNPB-Urban: US\$1.4m; and Rekoopak: US\$11.5m). While the projects have pre-financed recovery activities, the people affected by the disasters have not yet benefitted from the JMC-approved resources because quite long process of the Grant Agreement within the World Bank and the Ministry of Finance (MoF) system. The escrow account for Rekoopak required by the World Bank as applied was not approved by the MoF. However, it was agreed in the last meeting for this grant to separate the revision processes for PNPB-Rural and PNPB Urban with the Rekoopak. It is expected that the disbursement instructions to the appropriate regional treasury offices will be issued in the beginning of August (this week).

The discussion led to consensus on the following points:

- The GOI, with PSF support, should conduct a case study of this experience to draw lessons on how to avoid similar situations, and to clarify a critical path for the timely disbursement of grants that go through the DIPA. This should include identifying the key decision makers in MOF and beyond who influence the timeliness of disbursements.
 - JMC members can support the speedy disbursement of the grant through their respective channels and contact points (for instance involving the respective Heads of Agencies) to request improved support from the ministry of finance for this and future grants.
- b. PNPM Peduli. PSF staff updated the meeting on progress on the project, specifically that: (a) three grant agreements with CSOs for US\$3.8 million have been signed; (b) a fulltime coordinator has been hired; (c) the operations manual has been revised to allow block grant financing; (d) accounts for the executing agencies are being set up so the initial disbursements can start to flow; and (e) a stocktaking exercise, including interviews with the executing organizations (both those selected and those not selected), are being conducted to capture lessons learned.

Other key points from the discussion:

- c. JMC members requested PSF to communicate significant implementation issues more quickly.
- d. The AusAID representatives confirmed that AusAID would make US\$5 million available to ensure there would be sufficient funds available to finance the proposals currently submitted for approval.
- e. JMC members raised question whether there was disbursement plan for 2010 and how it was compared to the actual disbursement. It also suggested that the PSF Secretariat arrange meeting to discuss the disbursement plan and report it to the donors and GOI.
- f. The EU asked for an update on the integrity framework for PNPM. PSF confirmed that intensive discussions with PMD on specific benchmarks to strengthen the governance and management framework are ongoing. Moving forward, a formal quarterly meeting with PMD is scheduled to review progress on these benchmarks to which JMC members are cordially invited.

II. Discussion of new proposals

- a. CIDA membership to the JMC. There was a consensus decision to approve CIDA's formal membership of the JMC upon CIDA's contribution of at least US\$1 million to the PSF.
- b. MCC support to PNPM Generasi Plus. The JMC unanimously approved that PSF would channel contributions from the Millennium Challenge Corporation to finance the "Generasi Plus" Pilot. However, this approval is conditioned on MCC waiving additional audits of the PSF MDTF and kecamatan block grants, beyond the audits that are being conducted by the

- program. MCC will join the JMC as an observer: it would not have voting rights to avoid that one partner (the US) would have more than one vote in the JMC. JMC members urged PSF to ensure that the design of the Generasi Plus Pilot is improved to articulate the integration with Generasi, and to spell out the implementation mechanisms on both the supply and demand side before any financing be approved. Members reminded the importance of establishing a solid baseline so that progress of the project against specific KPIs can be measured.
- c. Community Facilitators Development Program, Phase Three. The JMC unanimously approved the project proposal. The PSF Technical Committee (Bappenas, Menko-Kesra and PSF Secretariat) confirmed that the role of the LSP/certifying body supported through this proposal is to consolidate Indonesia's overall community development capacity, and that it will serve as a platform to register accredited training institutions including NGOs and universities so that facilitators for any GOI-, -CSO, or donor-funded project can be supported. Bappenas will supervise the implementation of this project.
- d. RLF Capacity-Building and Sustainability Project. The JMC approved the second resource installment for the five year project. The JMC asked that targets be included as part of the project's key performance indicators. JMC members expressed concern that establishing linkages between UPKs and private financial institution could worsen the poor's access to micro-finance and requested the team to articulate specific measures to mitigate this risk, and to ensure that the focus on sustainability would not trump the project's poverty reduction objective. All the concern raised should be discussed before the second resource installment begin. It was agreed that a technical workshop would be held in September 2011 to elaborate on these and other strategic issues for the project, including reaching agreement on quantitative KPIs.
- e. PNPM Communications Program. The JMC approved the project proposal. AusAID emphasized that PSF communications has several challenges to address, including fostering ownership over the program by senior decision makers at the national and local levels. The communication program can and should be much more innovative to ensure that the knowledge accumulated by various actors who support PNPM is widely shared and stimulates open debate around community/social development issues; and that poor/remote communities can benefit from PNPM communications. This will require innovation and creativity in PSF's communications and the establishment of strong relations with other communication networks and platforms such as BaKTI and 68H. In the same vein, the role of KemKominfo must be better defined and they should be involved in the process. JMC members emphasized the need for Indonesian Officials as well as other community development actors (from grassroots level for example) to have more opportunities to learn about community development experiences abroad.
- f. Poverty reduction support for the urban poor in North Sumatra, Aceh, and Nias. The JMC unanimously approved the project proposal. The project will utilize the existing PNPM Urban project mechanisms and be executed by the same implementing agency within the Ministry

of Public Works. The meeting recognized the challenging governance environment in North Sumatra noting its three year implementation timeframe and additional supervision resources. Michael Nehrbrass from USAID noted that for future contributions to PSF, USAID will be able to contribute to the Mult-Donor Trust Fund, and will no longer have to request that its resources be housed on a separate account.

- g. District Capacity Development Project (Disaster Management Project Manual Study). All JMC members agree to suspend this proposal because it will change the current mechanism of PNPM to handle disaster that have been in place.
- h. PSF Extension. The meeting agreed to extend PSF until six months after the end of the current administration (June 2015). Documentation will be circulated shortly. The meeting noted that GOI and donor members can request appropriate modifications to the PSF's operational modalities at any point in time, and the GOI will conduct its internal dialogue for follow-up on specific modality issues after Lebaran. As next steps: (a) the PSF will send to the JMC members information on the extension of the agreements, including information on the management fees associated with the extension and budget scenarios; and (b) an independent evaluation of the PSF will be commissioned (though not as a condition to the extension). Beyond an assessment of PSF, the evaluation will also identify areas of possible efficiency gains in the World Bank processes that govern PSF. JMC members also requested more clarity on the scope of PSF: at this point, it is not always clear which Cluster 2 programs are included in PSF and which not, and what exactly is expected in terms of reporting and accountability when a program is included in PSF. The Netherlands noted that, while it supports a PSF extension, an exercise to articulate its long term development assistance to Indonesia is currently underway. Based on the outcome of this exercise, the Netherlands will be able to decide whether it will extend its membership.

III. Discussion of Proposals that were submitted to the Technical Committee

- i. Engaging the Attorney General Office for improving governance in PNPM: The JMC endorses the initiative and urges the team to strengthen the proposal so that it can be submitted for approval as soon as possible, and not later than September, 2011. Areas that deserve to be fleshed out more include (a) a better articulation of the key aspects of reform this proposal will focus on; (b) a better understanding of the sequencing of the activities (including testing activities on a smaller scale before going national); and (c) more clarity on the implementing arrangements.
- j. Evaluation of Neighborhood Upgrading: Since the nature of this activity is very much in line with the ongoing Urban Poverty Analysis, the team was asked to include the proposed neighborhood upgrading assessment as part of the broader Urban Poverty Analysis. The team can come back to the JMC in case there would be a need to top up resources for this exercise.

- k. Local Government Capacity Building. Phase two. A thorough discussion of the findings of the stock taking exercise is needed before moving to the second phase. This discussion should include a review of what lessons can be drawn from the stock taking exercise to inform the design of further operations to strengthen the accountability of local government and local service providers.
- l. Field Supervision: PSF has currently sufficient resources to cover these activities up to December 2012, so the decision was made not to request additional resources at this point.

Attachment 1. List of Participants

1	Ceppie K. Sumadilaga	Bappenas
2	Sujana Royat	Coordinating Ministry for Social Welfare
3	Rudy S. Prawiradinata	Bappenas
4	Hadi Santoso	Coordinating Ministry for Social Welfare
5	Vivi Yulaswati	Bappenas
6	Rosianna	Bappenas
7	Andreas Roettger	EU
8	Michael Nehrbass	USAID
9	Onno Koopmans	Netherlands
10	Jan Weetjens	WB
11	Petra Karetji	AusAID
12	Vanya Abuthan	AusAID
13	Scott Guggenheim	AusAID
14	Kate Shanahan	AusAID
15	Nur Isravivani	EU
16	Yoko Doi	WB
17	Renaud Rodier	WB
18	Susanne Holste	WB
19	Robert Wrobel	WB
20	George Soraya	WB
21	Kumala Sari	WB
22	Jeremy Foster	WB
23	Desi	Secretariat of Pokja Pengendali PNPM
24	Fatimah Sari Nasution	Secretariat of Pokja Pengendali PNPM
25	Keiko Kitamura	JICA
26	Kevin Tomlinson	WB
27	Sidik Permana	Bappenas